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NEW YORK -(Dow Jones)- Environmental problems continue to dog the U.S. operations of oil giant BP PLC (BP).

The U.S. Environmental Protection Agency sent a notice to the company alleging wide-ranging Clean Air Act violations at its Whiting refinery in Indiana dating back nearly twenty years. The alleged violations stem from construction projects for which BP didn't get the required permits, pollution that repeatedly exceeded allowed limits and numerous failures to monitor emissions.

The allegations represent a new setback for BP's environmental record in the U.S., which has been sullied over the last two years after a deadly explosion at the company's refinery in Texas City, Texas, and an oil spill from its pipelines in Alaska. Those problems have caused BP's profits and stock to suffer compared to its peers in the industry.

The EPA on Thursday said the violations at Whiting resulted in major increases in emissions of carbon monoxide, toxic chemicals and pollution that causes acid rain and ground-level ozone.

"This is a significant case," said Eric Schaeffer, former head of the EPA's civil enforcement office and now head of Environmental Integrity, an environmental enforcement advocacy group. "BP is looking at a series of violations across the board in multiple contaminants."

BP has ten days to schedule a conference with the EPA to dispute the charges. The agency may issue a fine, file a civil enforcement case or even bring criminal charges against BP over the violations, according to a letter to BP from Stephen Rothblatt, director of the EPA's Air and Radiation Division.

The enforcement action comes weeks after BP agreed to plead guilty to a felony violation of the Clean Air Act and pay a \$50 million fine related to an explosion at its Texas City refinery in 2005 that killed 15 people and wounded more than 170. BP admitted that it operated the refinery

unsafely, leading to the explosion. The company also pleaded guilty this week to a misdemeanor violation of the Clean Water Act for allowing oil to spill from pipelines in Alaska in 2006.

BP says the dispute over the Whiting plant - the fifth-largest U.S. refinery and BP's second-largest in the U.S. after the Texas City plant - amounts to a disagreement over interpretation of the EPA's regulations.

"BP cooperated fully with the EPA on this matter," said BP spokesman Scott Dean. "We hope to resolve differences with the regulator over interpretation of the rules."

EPA spokeswoman Roxanne Smith said Whiting clearly violated the EPA's regulations.

"These are requirements that have been in place for a number of years," Smith said. "If other refineries have done the same thing, then they are in violation."

EPA inspectors discovered the violations during a visit to the plant earlier this year, Smith said.

Rough Road For Whiting Refinery Whiting itself has been the cause of recent environmental and operational headaches for BP. Production at the refinery has been reduced for much of the year due to a fire, maintenance and repairs. That contributed to a 17% drop in refining processing capacity at its U.S. refining operations in the second quarter, compared with the same period last year.

The financial impact has been \$300 million a quarter, according to BP estimates. Gasoline purchases in the market to meet supply obligations cost an additional \$200 million in the second quarter, JP Morgan has estimated.

The company has also faced an uproar over its plan to spend \$3.8 billion by 2011 to boost Whiting's use of high-sulfur crude oil from Canada and production of fuels such as gasoline and

diesel. As part of the upgrade, BP was seeking permission to increase Whiting's wastewater discharge into Lake Michigan. The plan drew opposition from U.S. senators, congressmen and environmental groups.

BP has since said it may ditch the expansion plan in the face of public opposition. It's researching new technologies that may allow the expansion to continue without increasing the wastewater discharge.

One of the U.S. congressmen, Rep. Mark Kirk, a Republican from the suburbs north of Chicago, welcomed the EPA's newest enforcement action.

"People want the law enforced," Kirk said. "They don't have it out for the BP refinery but they want it run in compliance with environmental law and no new dumping into Lake Michigan."

EPA Says Emissions Rising The EPA's latest action targets a series of construction projects beginning in 1988 that the EPA contends led to a significant increase in emissions. Most recently, according to the EPA, a February 2005 upgrade to one of the units that produces gasoline violated the Clean Air Act, because the project gave the refinery the ability to significantly increase emissions and BP didn't get a permit from the EPA or install equipment to minimize the pollution increase.

Power plants, refiners and other industrial facilities aren't allowed to undertake construction projects that significantly increase emissions without installing new pollution control technology. These requirements are even stricter in areas like Whiting where the EPA had determined that air pollution levels for ozone and acid-rain causing pollution exceeded what the agency considers to be healthy.

BP entered a settlement with the EPA in 2001 that required environmental upgrades at the Whiting refinery. Schaeffer, who negotiated the agreement while at the EPA, said these new violations indicate a serious management failure.

"The problems keep coming," he said.

The EPA also contends that "on numerous occasions in the past five years" Whiting's sulfur recovery plant has exceeded its limits for sulfur-dioxide emissions, the cause of acid rain, while also failing to monitor these emissions.

